

6 August 2008



## SOFT HOME LENDING HIGHLIGHTS RATE CUT IMPERATIVE

HIA, Australia's largest building industry association, said that home lending for both owner occupiers and investors continued to slide in June.

HIA Chief Economist, Harley Dale said a wide range of weak housing indicators confirmed the urgent need for a reduction in mortgage and business loan rates.

"Even with a reduction in interest rates over coming months we will still see fewer housing starts in 2008 than last year. That will mark five consecutive years of weak new home building which is unprecedented in the last 50 years," said Harley Dale.

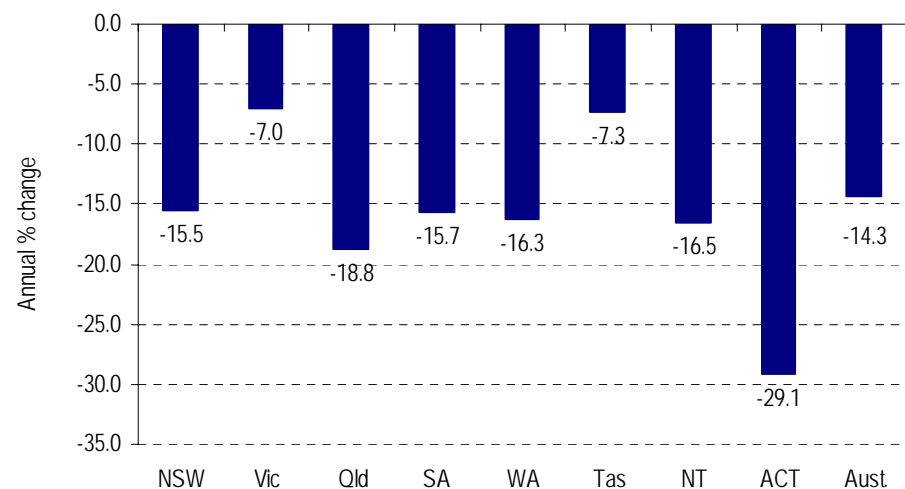
Housing finance figures released today for the month of June 2008 show an overall fall in the number of owner occupier loans of 3.7 per cent. Loans for construction fell by 2.7 per cent and loans for established dwellings (net of refinancing) were down by 6 per cent. Loans for the purchase of a new home increased by 6.9 per cent, a very modest result following 11 consecutive falls. Lending for residential investment eased by 0.3 per cent to record its lowest value since October 2006.

"The Reserve Bank, retail financial institutions, and every level of government all have an urgent role to play in turning around a long, sustained period of construction weakness which continues to manifest itself in a chronic shortage of new housing stock," Harley Dale said.

On a state by state basis, the total number of loans in June fell by 8.5 per cent in the Northern Territory and was down by 6 per cent in New South Wales, 5.8 per cent in Queensland, 3.2 per cent in South Australia, 2.6 per cent in Western Australia, and 0.9 per cent in Victoria. The number of loans increased by 0.2 per cent in Tasmania and by 1.6 per cent in the Australian Capital Territory.

Number of Loans for Construction/New Purchase

6 mths to June 2008



### Further Information

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